

Message Text

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PAGE 01 RABAT 05575 151356Z

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C O N F I D E N T I A L RABAT 5575

LIMDIS

E.O. 11652: GDS

TAGS: EINV ENRG EIND MO

SUBJECT: STATUS REPORT ON OIL-MOROCCANIZATION NEGOTIATIONS

REF: RABAT 4990

1. SUMMARY: A SIGNIFICANT SHIFT HAS TAKEN PLACE IN NEGOTIATIONS BETWEEN THE GOVERNMENT OF MOROCCO AND MAJOR OIL DISTRIBUTORS. AGREEMENT SEEMS WITHIN REACH ON THE QUESTION OF MANAGEMENT, HERETOFORE CHARACTERIZED AS THE AREA OF GREATEST DIFFICULTY. PRICE DIFFERENCES REMAIN, BUT HAVE BEEN NARROWED. THE STAGE APPEARS SET FOR SETTLEMENT BY FORMULA ALLOWING EACH SIDE TO MAINTAIN APPEARANCE OF HAVING PRESERVED PRINCIPLE. TWO NEW AND LAMENTABLE TACTICAL PROBLEMS HAVE ARISEN, BUT THE OUTLOOK IS NOW CAUTIOUSLY HOPEFUL FOR SETTLEMENT. END SUMMARY.

2. WITHIN DAYS OF EACH OTHER, OFFICERS FROM ESSO'S LONDON OFFICE ACCOMPANIED BY LOCAL REP, AND LOCAL PRESIDENT, DIRECTOR-GENERAL OF MOBIL--TWO LARGEST U.S. OIL COMPANIES IN MOROCCO--CALLED SEPARATELY TO INFORM AMBASSADOR OF SIGNIFICANT IMPROVEMENT IN NEGOTIATING CLIMATE. ESSO AND MOBIL REPORTED EACH HAD HAD EXTENDED TALKS WITH MINISTER OF COMMERCE GHISSASSI, BYPASSING DOUIEB OF SNPP WHO HAS HANDLED ALL TALKS UNTIL NOW. MOBIL REP ALAOUI (WHO IS EXCEPTIONALLY COMPETENT AND WELL-CONNECTED MOROCCAN NATIONAL) SAID THAT

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 RABAT 05575 151356Z

GHISSASSI HAD ASSURED HIM IN CONFIDENCE OF GOM INTENTION

TO SEE NEGOTIATIONS SATISFACTORILY COMPLETED.

3. ESSO AND MOBIL OFFICIALS REPORTED SEPARATELY THAT MEETING OF MINDS HAD OCCURRED ON QUESTION OF MANAGEMENT CONTROL, WHICH TILL NOW HAS BEEN CONSIDERED MOST DIFFICULT TO RESOLVE. DETAILS OF WHAT THIS MEANS FOR ESSO UNSTATED, THOUGH REP SEEMED AT REST ON THIS ISSUE WHEN TALKING TO AMBASSADOR. SINCE WE HAVE STRICTLY AVOIDED PROBING DETAILS OF NEGOTIATIONS IN VIEW OF DELICATE INTER-COMPANY RELATIONS AND TO AVOID BEING DRAWN INTO NEGOTIATING PROCESS PREMATURELY, WE DID NOT PRESS FOR CLARIFICATION. ALAOU, HOWEVER, VOLUNTEERED THAT GHISSASSI HAD TOLD HIM DIRECTLY THAT BEING A MOROCCAN NATIONAL HE, ALAOU, COULD REMAIN AS PRESIDENT AND MANAGING DIRECTOR. WILL, HOWEVER, PROBABLY BE EXPECTED TO TAKE AS VICE PRESIDENT GOM NOMINEE TO REPRESENT GOVERNMENT'S FIFTY PERCENT INTEREST. ASSUME FORMULA FOR ESSO MUST NECESSARILY BE MORE COMPLEX.

4. PARTIES REMAIN SEPARATED BY SOME DISTANCE ON PRICE FRONT. FURTHER NARROWING TOOK PLACE, HOWEVER. ESSO SEEMED ALSO TO BE SAYING THAT GOM HAS SIGNALLED WILLINGNESS TO ACCEPT COMPANIES' INSISTENCE ON PRESERVING APPEARANCE OF ACQUISITION AT BOOK VALUE TO AVOID SETTING UNDESIRABLE PRECEDENT. HINTED THIS MIGHT BE ACCOMPLISHED BY SOME FORM ASSET TRANSFER TO REDUCE BOOK VALUE NEARER TO GOM OFFER. WHILE PRICE HAS THUS BECOME AREA OF GREATEST DIFFICULTY, THINKING SEEMS TO BE THAT WITH MANAGEMENT RESOLVED, AND ASSUMING PROFITS CAN BE TRANSFERRED, GOOD PART OF PAYMENT DEMANDED CAN BE ANNUALIZED INTO HIGHER SHARES OF FUTURE PROFITS. OTHERWISE STATED, HALF A REAL BUCK NEXT WEEK IS WORTH MORE THAN HYPOTHETICAL BUCK TODAY.

5. NO MOVEMENT AT ALL REPORTED ON TRANSFER OF FUNDS PROBLEM. MOBIL IMPRESSION IS, HOWEVER, THAT ONCE PRICE ISSUE IS SETTLED SOMETHING CAN BE WORKED OUT ON TRANSFER OF FUNDS. ESSO REMAINS MORE CONCERNED, HAVING BEEN TOLD BY GHISSASSI THAT ONLY FUNDS FOR WHICH CURRENT TRANSFER PERMITS HELD WILL BE APPROVED. THIS WOULD LEAVE IN BLOCKED ACCOUNTS SOME 65 PERCENT OF WHATEVER ESSO EVENTUALLY RECEIVES. WHILE SOME NEGOTIATING LEVERAGE CLEARLY INVOLVED IN GOM

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 RABAT 05575 151356Z

POSITION, EMBASSY BELIEVES THIS AREA LIKELY TO LEAVE RAGGED ENDS FOR LATER UNTANGLING.

6. ALAOU, MENTIONED TO AMBASSADOR TWO MATTERS OF NARROWER FOCUS BUT CONSIDERABLE CONCERN: (A) UNLIKE OTHER TWO U.S. MAJORS, TEXACO HAS SO FAR SHOWN NO NEW NEGOTIATING FLEXIBILITY AND THUS BECOMES POTENTIAL SOURCE OF DIFFICULTY IN MAINTAINING COMMON FRONT AS COMPANIES MOVE TOWARDS SETTLEMENT; (B) SOMEONE

(ALAOUI ASSERTS A U.S. OIL COMPANY SOURCE) HAS INSENSITIVELY AND UNWISELY PASSED THE STORY IN MOROCCAN CIRCLES THAT "DOUIEB IS OUT". THIS MAY COMPLICATE MATTERS SINCE DOUIEB IS NOT RPT NOT OUT. HE IN FACT IS CONVENING NEXT ROUND OF TALKS. THIS TYPE OF PREMATURE CROWING OUTSIDE POLICY CIRCLES MUST INEVITABLY AFFECT DOUIEB'S NEGOTIATING PSYCHOLOGY IN SPITE OF WHATEVER NEW INSTRUCTIONS HE HAS RECEIVED.

7. DESPITE LAST MENTIONED CONCERNS, UPSHOT IS THAT WHILE SOME DISTANCE REMAINS TO BE BRIDGED, SIGNIFICANT MOVEMENT HAS OCCURRED AND GROUNDS EXIST FOR CAUTIOUS OPTIMISM THAT NEGOTIATIONS CAN BE BROUGHT TO SUCCESSFUL CONCLUSION. MOBIL LAWYERS WILL BE HERE WITHIN FORTNIGHT HOPING TO SIGN AGREEMENT. ESSO BRASS, WHILE NOT ACHIEVING OVERNIGHT AGREEMENT DURING LIGHTNING VISIT, SEEM GENUINELY HOPEFUL OF RETURNING TO CONCLUDE FORMALITIES BEFORE YEAR END.

8. EMBASSY ATTRIBUTES IMPROVED OUTLOOK IN SUBSTANTIAL MEASURE TO WELL-ORCHESTRATED DESK-EMBASSY WORK WITH OIL COMPANY HOME OFFICES AND MOST SENIOR LEVELS GOM, STRESSING RISKS TO OVERALL INVESTMENT CLIMATE AND EFFECTS ON BROADER BILATERAL RELATIONS FROM PROTRACTED CONFRONTATION. COMPANIES NOT YET HOME, HOWEVER, AND IT IMPORTANT THAT EFFORTS NOT BE RELAXED AT THIS STAGE. EMBASSY AND CONGEN WILL BE GIVING INCREASED ATTENTION TO TEXACO PROBLEM WHILE MAINTAINING CLOSEST CONTACT WITH COMPANY REPS AND OTHER INVOLVED EMBASSIES.
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